

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4168-01  
Bill No.: SB 459  
Subject: Labor  
Type: Original  
Date: January 19, 2012

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Bill Summary: This proposal requires those engaging in public works projects to employ individuals from the locality in which the project is being constructed.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
State Road Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Fund	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations, Kansas City, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Office of Administration, Parkway School District and St. Louis County** assume that there is no fiscal impact from this proposal.

Officials at the **Missouri Department of Transportation** assume that although the costs can not be calculated, there will be a cost to this legislation because of the lack of competition for labor resources. This would limit who a prime contractor can subcontract with and what staff they can use on a public works project.

Officials at the **Department of Conservation** assume an unknown fiscal impact that could potentially exceed \$100,000 annually. The fiscal impact would be due to the potential of non-local general contractors not being able to use their own employees if local labor is available which may increase costs.

Officials at the **University of Missouri** assume this bill could have significant, over \$100,000, cost impact to the University. However, the legislation is vague and a detailed estimated is impossible.

Officials at the **University of Central Missouri** estimate that requiring only local labor be used on public works projects could increase construction costs up to 25% due to the time delay and increased costs associated with recruiting and training new workers, as well as the loss of team effectiveness and speed acquired when crews work together over longer periods of time. Such a requirement might also decrease bid choices for institutions located in areas with smaller labor pools.

Officials at the **Lincoln University** assume it is difficult to determine the true cost impact of this proposed legislation. Possible concerns which may increase costs include: 1) reducing competition to not allow companies to compete (particularly from St. Louis and Kansas City) for work in central Missouri, especially when there is only 1-2 companies performing a particular trade; 2) may limit municipalities to local contractors which may increase cost and possibly reduce quality; 3) may lead to collusion of bidding by local contractors realizing they have limited competition; 4) may make reaching minority goals more difficult to achieve as every community may not contain minority contractors; 5) will need definition of locality – city, county or region, same with incapable or unavailable; and 6) costs for additional enforcement by the

ASSUMPTION (continued)

contracting officers may increase.

Officials at the **Missouri State University** assume that loss of competitive bids on public projects may mean higher costs.

Officials at the **Platte County** assume this would burden contractors and thus increase the cost of projects costing the County. The impact is unknown but could cost in excess of \$10,000,000 based upon anticipated projects.

Officials at the **Boone County** assume increased unknown costs to the County.

Officials at the **Moberly Area Community College** assume that if this provision supersedes option to award construction to “lowest bid”, the impact could be substantial.

Officials at the **Metropolitan Community College** assume an unknown but possibly negative impact.

Officials at the **Linn State Technical College, Monroe County** and the **City of Webb City** assume an unknown impact.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Kennett, Kirksville, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O’Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Weldon Spring and West Plains did not respond to **Oversight’s** request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Columbia Public Schools, Fair Grove Schools, Francis Howell Public Schools, Independence Public Schools, Jefferson City Public Schools, Kansas City Public School Board, Kirksville Public Schools, Lee Summit Public Schools, Mehlville Public Schools, Mexico Public Schools, Nixa Public Schools, Raytown School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, and Sullivan Public Schools did not respond to **Oversight’s** request for fiscal impact.

ASSUMPTION (continued)

Officials at the following counties: Andrew, Barry, Bates, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Hickory, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Moniteau, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Pulaski, Scott, St. Charles, St. Francois, Taney, Texas, Warren, Wayne and Webster did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**STATE ROAD FUND**

Cost - Dept of Transportation

Increased costs due to hiring only local contractors	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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**CONSERVATION FUND**

Cost - Dept of Conservation

Increased costs due to hiring only local contractors	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON CONSERVATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**LOCAL GOVERNMENT FUNDS**

Cost - Schools, Cities & Counties

Increased costs due to hiring only local contractors	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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### FISCAL IMPACT - Small Business

Small businesses could be effected by this proposal if their workers are chosen to work on these local projects.

### FISCAL DESCRIPTION

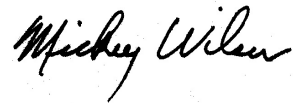
Those engaging in public works projects in the state shall only employ laborers from the locality in which the project is being constructed unless no such laborers are available.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Boone County  
City of Kansas City  
City of Webb City  
Department of Conservation  
Department of Labor and Industrial Relations  
Lincoln University  
Linn State Technical College  
Metropolitan Community College  
Missouri Department of Transportation  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
Moberly Area Community College  
Monroe County  
Northwest Missouri State University  
Office of Administration  
Parkway School District  
Platte County  
St. Louis County  
University of Central Missouri  
University of Missouri

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 19, 2012

JH:LR:OD